



Ridgewood Renewable Power

Testimony of Ridgewood Renewable Power

Re: Senate Bill 1076

March 3, 2009

My name is Daniel Gulino and I am the Senior Vice President and General Counsel of Ridgewood Renewable Power. Ridgewood Renewable Power supports the general concept intended by CT Raised Bill Number 1076, and we apologize for our role in sharing only an early incomplete draft which contributed to the inadvertent errors contained within. Ridgewood Renewable Power is proposing a modified version of Raised Bill Number 1076 that, we believe, implements the concept intended by the bill. A copy of the proposed modified bill is attached.

This bill, as modified, is a creative approach to ***reduce ratepayer costs while supporting the development of new high value renewable generation***. As modified, the bill implements the findings of a recent analysis performed by ISO-NE and is supported by numerous other objective third-party studies.

The REC Markets Have a Problem:

- REC markets have been volatile
- Due to the finite demand for RECs the threat of oversupply is always looming (e.g. Canadian wind imports)
- The Connecticut RPS is subject to volatility caused by the actions of legislators and regulators in neighboring states (e.g. Massachusetts DOER)
- This creates concern for investors, which limits the availability of financing for new projects
- Long-term contracts are one solution to providing investors with stability, but not the only solution
- Another solution is to increase the minimum RPS percentage each year by enough to ensure that demand always exceeds the supply
- The usual objection to this solution is that it would increase ratepayer costs

The ISO-NE White Paper on Electricity Costs, June 2006 Shows How A **Carefully Targeted** Increase in the RPS Will Reduce Ratepayer Costs:

- Determined that the addition of 1,000 MW of new low-cost baseload generation would reduce electric ratepayer costs by \$600 MM annually
- Used actual generator bidding data and market clearing software
- General findings have been supported by numerous other studies

- Electric savings are produced when low-cost renewable generators displace the highest marginal-cost fossil fuel burning generator in the bid stack
- The average savings attributable to each new MWh (\$75/MWh) is well in excess of the cost of the RPS (\$55/MWh), producing net savings for ratepayers

A Special New Category of RPS Creates a Stable REC Pricing Environment AND Ratepayer Savings:

- The RPS percentage will be increased beyond the current scheduled annual increases to Class I, but only to the extent that new renewable generators will reduce ratepayer costs
- Four criteria to qualify for the new category
 - "New" – commercial operation after the date of enactment of legislation
 - "Baseload" – annual capacity factor of more than 75%
 - "Renewable" – otherwise qualifies for Class I
 - "Low-cost" – bids into the daily energy market at \$0 (i.e. "price-taking")
- The new category of RPS creates a more stable pricing environment for those new renewable generators that reduce ratepayer costs
- Class I renewable generators that don't qualify for Class IV still benefit by the indirect increase in the RPS percentage

The Bill Makes Sense for Ratepayers and for the Environment:

- Produces net savings to ratepayers
- Savings are front-loaded, because the highest marginal cost fossil fuel burning generators are displaced first
- Also reduces New England natural gas prices by eliminating the demand associated with the displaced fossil fuel burning generator
- Increases the supply of renewable energy by fostering a healthy and sustainable long-term REC market
- Rewards renewable generators that add the most value
- Doesn't harm any renewable generators
- Implements analytical findings of an existing study conducted by ISO-NE
- Builds on existing RPS structure, including the existing Class I alternative compliance price
- Works in parallel with long-term contracts legislation

Additional information is available by contacting
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Referred to Committee on Energy and Technology

Introduced by:

(ET)

AN ACT ESTABLISHING A CLASS IV RENEWABLE PORTFOLIO STANDARD.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. (NEW) (*Effective October 1, 2009*) (a) As used in this section, "Class IV renewable energy source" means generation sources (1) that meet the definition of Class I renewable energy sources, as defined in section 16-1 of the general statutes, (2) that began commercial operation on or after January 1, 2010, (3) from which all of the energy produced is sold into the day ahead or real-time spot market at the otherwise prevailing hourly price, and (4) that have a summer capacity factor rating that is greater than seventy per cent as determined by the ISO-NE rules, as they may change from time to time.

(b) (1) For the compliance year commencing on January 1, 2010, an electric supplier and an electric distribution company providing standard service or supplier of last resort service pursuant to section 16-244c of the general statutes shall demonstrate that not less than one per cent of the total output or services of any such supplier or distribution company shall be generated from Class IV renewable energy sources.

(2) For each succeeding compliance year, an electric supplier and an electric distribution company providing standard service or supplier of last resort service pursuant to section 16-244c of the general statutes shall demonstrate that the percentage of the total output or services of any such supplier or distribution company generated from Class IV renewable energy sources is at least (i) one percent (1%) plus (ii) the percentage of such energy produced in the year prior to such compliance year.

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Deleted: On and after January 1, 2011, an electric supplier and an electric distribution company providing standard service or supplier of last resort service pursuant to section 16-244c of the general statutes shall demonstrate that not less than one per cent of the total output or services of any such supplier or distribution company plus the percentage of the total output or services of any such supplier or distribution company from the previous year shall be generated from Class IV renewable energy sources

(3) Notwithstanding the foregoing, the requirement from Class IV renewable energy sources shall not exceed that percentage equal to an aggregate of 1,000 MW in any compliance year.

(c) An electric supplier or electric distribution company may satisfy the requirements of this section by purchasing certificates issued by the New England Power Pool Generation Information System provided such certificates are for (A) energy produced by a generating unit using Class IV renewable energy sources that is located in the area of the regional independent system operator, or (B) energy produced by a generating unit using Class IV renewable energy sources that is imported into the control area of the regional independent system operator pursuant to New England Power Pool Generation Information System Rule 2.7(c), as in effect January 1, 2006. The alternative payment amount shall be equal to the alternative payment amount applicable to Class I renewable energy sources.

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Deleted: , or (2) those renewable energy certificates under contract to serve end-use customers in the state on or before October 1, 2006, by participating in a renewable energy trading program within said jurisdiction as approved by the Department of Public Utility Control

(d) Any electric supplier that provides electric generation services solely from Class II renewable energy sources, as defined in section 16-1 of the general statutes, shall not be required to comply with the provisions of this section.

(e) An electric supplier or electric distribution company shall base its demonstration of generation sources pursuant to subsection (b) of this section on historical data, which may include, but not be limited to, data filed with the regional independent system operator.

(f) An electric supplier or electric distribution company may make up any deficiency within its renewable energy portfolio within the first three months of the succeeding calendar year or as otherwise provided by generation information system operating rules approved by the New England Power Pool or its successor to meet the generation source requirements of subsection (b) of this section for the previous year. No such supplier or distribution company shall receive credit for the current calendar year for generation from Class IV renewable energy sources pursuant to this section where such supplier or distribution company receives credit for the preceding calendar year pursuant to this subsection.

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(g) The Department of Public Utility Control shall adopt regulations in accordance with the provisions of chapter 54 of the general statutes to implement the provisions of this section.

This act shall take effect as follows and shall amend the following sections:

Statement of Purpose:

To define a new renewable energy source and create a renewable energy portfolio standard for it.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]